



**BETTY T. YEE**  
**California State Controller**

October 12, 2015

Mary Jo White, Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D. C. 20549

**SUBJECT: Standardized Private Equity Fee Disclosures**

Dear Chair White:

I write to respectfully urge the Securities and Exchange Commission (SEC) to require that general partners make more fulsome disclosure of private equity expenses to limited partners, joining the July 21, 2015 request for such by fellow state Treasurers and Comptrollers.

My specific concern is the lack of full disclosure of private equity firm expenses poses hidden risk that inevitably results in an inherent financial disadvantage detrimental to the limited partners. This was particularly evident in the settlement recently reached by the SEC and the Blackstone Group where so-called accelerated monitoring fees were effectively charged to its portfolio companies for services not actually rendered and without properly disclosing such arrangements to its limited partners.

It has been a significant challenge for limited partners to track all the various fees from private equity investments given the "creative" use of these fees by some general partners. At the same time, this asset class is important to help achieve the return rate necessary for Public Pension Investors to ensure promised retirement payments to public employees.

Requiring a full financial presentation that discloses all expenses whether characterized as management fees, fund expenses, allocated incentive fees, and/or portfolio-company charges, will curb abuse and allow limited partners in private equity funds to negotiate with a better understanding as to all expenses or offsets to which they might otherwise be subject. We need the SEC to take action to create a cohesive set of disclosure rules for all private equity limited partners. Otherwise, these rules will be created through your enforcement actions; clearly a less efficient process. Potentially, states could independently enact statutes resulting in a patchwork of legislative "fixes." Such a disjointed approach could hamper investment opportunities for all.

Thank you for your prompt attention to this matter. I look forward to the SEC acting soon.

Sincerely,

A handwritten signature in blue ink that reads "Betty T. Yee". The signature is fluid and cursive, with the first name "Betty" and last name "Yee" clearly legible.

BETTY T. YEE